

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the matter of

Petition For Rulemaking To Determine The
Terms and Conditions Under Which Tier 1
LECs Should Be Permitted To Provide
InterLATA Telecommunications Services

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RM-8303

TO: The Commission

COMMENTS OF THE
UTILITIES TELECOMMUNICATIONS COUNCIL

Pursuant to Section 1.405 of the Commission's Rules, the Utilities Telecommunications Council (UTC) hereby submits its Comments on the Petition for RuleMaking (Petition) filed by Bell Atlantic Corporation (Bell Atlantic), BellSouth Corporation (BellSouth), Pacific Telesis Group (Pacific Telesis) and Southwestern Bell Corporation (SWB). In the Petition, these Bell Operating Companies (BOCs) request the Federal Communications Commission (FCC) to specify the safeguards that would govern BOC participation in interLATA (long distance) markets and make a finding that the provision of a full range of interLATA services by BOCs is in the public interest. UTC urges the Commission to initiate a rulemaking with regard to this matter to investigate what effect interLATA competition by BOCs would have on both the interLATA and local exchange service markets.

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UTC is the national representative on communications matters for the nation's electric, gas, water and steam utilities, and natural gas pipelines. Approximately 2,000 such companies are members of UTC, ranging in size from large combination electric-gas-water utilities serving millions of customers, to small rural electric cooperatives and water districts serving only a few thousand customers. UTC's members are large users of telecommunications services as customers of BOCs and other providers which would be affected by the grant or denial of the Petition. Therefore, UTC is grateful for the opportunity to submit its comments in this matter.

In the Petition, the BOCs claim that the time has come to permit them to enter the interLATA telecommunications market. They request that the FCC: (1) provide a coordinated review of the full range of issues presented by the provision of long distance service by BOCs; and (2) find that the provision of interLATA services by BOCs is in the public interest. The BOCs further claim that Commission already has in place many of the regulatory mechanisms needed to govern BOC entry into the interLATA market.

UTC agrees that a review of the issues raised by the BOC provision of the interLATA service would be beneficial. The evolving nature of the telecommunications marketplace requires

that the Commission review the possible restructuring of the interLATA and intraLATA markets. Additionally, the provision of interLATA services by BOCs may result in benefits to long distance customers, including: lower prices, more choice in long distance providers and greater innovation. BOC entry in the interLATA market may also increase the opportunity for companies with internal communications networks to lease reserve capacity or available infrastructure to BOCs, thereby increasing the efficient use of these systems. Finally, permitting the BOCs to provide interLATA service would help offset any loss of revenue incurred by BOCs as a result of increased local exchange competition.

UTC urges the Commission to carefully investigate the possibility of permitting BOCs to provide interLATA service as there are many unanswered questions with regard to this matter. First, how will the provision of BOCs service affect the interLATA market? The Commission must enact safeguards to prevent non-competitive actions by BOCs, including the cross-subsidization of interLATA services with local exchange service revenues. The Commission must also determine whether there is any benefit to be gained from BOC entry into this market. Although the BOCs claim that there is not effective competition in the long distance market because there are only three (3) competitors with nationwide networks, the BOCs do not explain why

the regional carriers and resellers do not provide effective competition to these nationwide carriers.

Second, what effect would BOC entry in the interLATA market have on the local exchange service market? In the Petition, the BOCs claim that there is already competition in the local exchange market. The BOCs claim that private branch exchanges, cellular telephone operators, competitive access providers, cable companies and the emergence of new technologies such as personal communications networks have made or soon will make inroads in the local exchange service monopoly for large business customers. Further, the BOCs claim that future FCC initiatives will permit more competition in the local exchange market.

UTC agrees that greater competition for particular local services does exist today. However, this does not imply that there is or will be at any time in the near future effective local exchange competition.^{1/} Therefore, the BOCs' commercial viability in the local exchange service market is vital. The Commission must decide whether the provision of interLATA service by BOCs would more likely benefit or harm the local exchange

^{1/} The Omnibus Budget Reconciliation Act of 1993 specifically calls upon the FCC to determine whether a particular service competes with local exchange service. Section 6002(b)(2) of this Act permits a state that wishes to regulate a commercial mobile service to petition the FCC to permit such regulation on the grounds that the service is a substitute for the local landline telephone exchange service for a substantial portion of the communications within the state.

market. The local exchange market may be damaged if the provision of interLATA service dilutes the BOCs' commercial focus on local service. Because there is already a degree of local competition, it may be disastrous for the BOCs to turn their attention or resources away from this market. Furthermore, there may be a risk to local service if the BOCs compete and fail in the interLATA market because this may jeopardize the financial health of the BOCs. On the other hand, BOC entry into the interLATA market could also benefit the local market by providing additional revenues which may permit the BOCs to better compete with the new local providers.

CONCLUSION


UTC urges the Commission review the desirability of permitting the provision of interLATA service by BOCs. The Commission must impose safeguards to protect both markets, by establishing regulations which prevent the BOCs from exercising their ability to act non-competitively in the interLATA market while ensuring that the provision of local exchange service is not jeopardized.

WHEREFORE, THE PREMISES CONSIDERED, UTC respectfully requests the Commission to take action in this docket consistent with the views expressed herein.


Respectfully submitted,

**UTILITIES TELECOMMUNICATIONS
COUNCIL**

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Dated: August 30, 1993

CERTIFICATE OF SERVICE

I, Janice Jones a secretary of the Utilities Telecommunications Council, hereby certify that I have caused to be sent, by first class mail, postage prepaid, this 30th day of August, 1993, a copy of the foregoing to each of the following:

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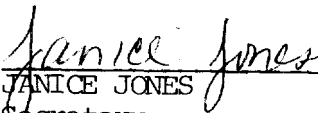
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